

From: "Mike Elliott" <mikee@UnitedBankofUnion.com> on 09/19/2005 02:25:03 PM

Subject: EGRPRA regulatory review

The prohibition of paying interest on all Demand Deposits is both antiquated as well as unfair to smaller banks and their customers. Larger banks have sophisticated computer systems that allow them to offer sweep accounts that sweep either to an enhanced savings or MMDA account or even to a revolving loan. Smaller bank operating systems do not have the sophistication. Additionally the many mom and pop businesses that exist across the country as LLC's or small Corporations never have access to a sweep service in their small community banks nor are the ones in larger banks offered this service. The time for not being allowed to pay interest on all demand deposits is past.

The limit placed upon Bank Directors borrowings based on readily marketable and assessable collateral is overly restrictive and limits our ability to service a group of individuals who generally have the best financial statements and financial conditions of any of a bank's borrowers. By limiting the borrowings and not including readily marketable real estate or other collateral, we have moved a key opportunity for a quality asset from a bank's portfolio. At the very least consider allowing the collateral at a reduced LTV and possibly require an independent evaluation annually.

Finally I wish to express my concern over an issue that appears to being handle in a non-professional manner. The issue revolves around the obvious plague of fraudulent cashier checks and money orders which now include US Postal money orders and Treasury checks. The vast majority of banks, with a wink from the overseeing agencies, are placing reasonable holds on these items when they are unable to verify the validity of such items. This is despite banking regulations to the contrary. In a recent Missouri seminar with all regulators present it was pointed out that the banks must contact their legislators if they want changes in regulation CC regarding this problem. While I have contacted our legislators and our professional organizations, I find it appalling that the message sent was one of its our problem to get the change done and not the regulators problem. I hope that it was a misinterpretation of my attending staff member (although she is very reliable). This is an epidemic and all of our organizations should be demanding the tools and means to deal with it. Together is the only way that we will improve the system and thus control the losses that taking place to banking and its customers.